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QUARTERLY INVESTOR BRIEFING
2ND QUARTER FY-2015

NAOS Absolute Opportunities Company
(ASX:NAC)

CALL DETAILS

NAOS

1. Date	Thursday 19 th February
2. Time	11.00am AEDST
3. Telephone	1800 857 029
4. Guest Access Code	10842873#
5. Questions	Please email all questions to Anneke Senden (asenden@naos.com.au) or the team at NAOS (enquiries@naos.com.au) prior to the allotted call time

AGENDA

1. NAC REVIEW

- Information about the Company
- Capital Structure
- Total Shareholder Return Analysis
- Performance & Attribution Analysis
- Portfolio Positioning
- Sample Company Meetings

2. Market Commentary

- January Australian Equity Market Review
- Impact of Global Themes
- Domestic Corporate Activity
- Reporting Season Notes

3. Keeping Up to Date

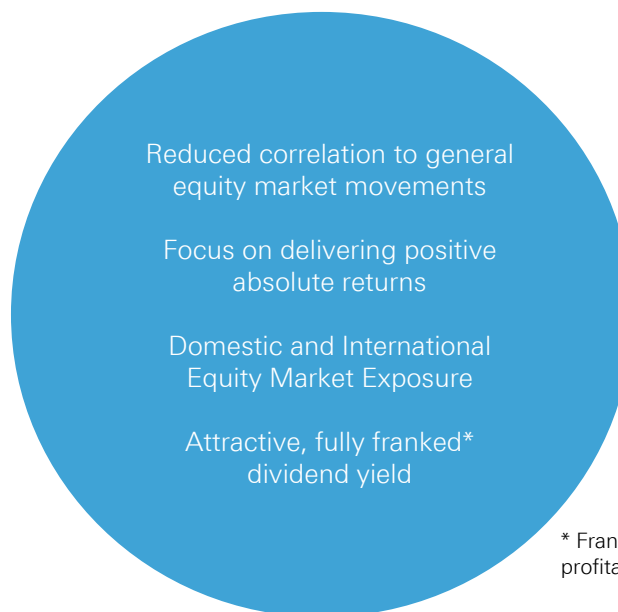
- Shareholder Communications

1. NAC Review

INFORMATION ABOUT THE COMPANY

NAC

- Listed Investment Company (LIC) that provides investors with exposure to domestic and international companies in a manner which seeks to have low correlation to broader equity market returns.
- NAC seeks to pay a targeted yield of 4.00% per annum, franked to the maximum extent possible.
- The Company generates income to investors through a concentrated long/short portfolio structure, with the flexibility of being able to hold more than 100% in cash.
- NAOS has a 10 year track record of managing assets in via long/short portfolio structures within the Australian Equities asset class.
- Directors of NAC and NAOS Asset Management Limited hold a substantial number of shares in the Company, demonstrating a close alignment of interests.
- The Competitive Advantage of NAC:



* Franked to the maximum extent possible in light of profitability and franking credit balance.

CAPITAL STRUCTURE

AS AT 31ST JANUARY 2015

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SHARES ON ISSUE

21,500,000

NTA Analysis (diluted for NACO options)

Pre Tax – \$1.01 (\$1.01)

Pre Tax Pre Unrealised Gains Tax –
\$1.01 (\$1.01)

Post Tax - \$1.01 (\$1.00)

OPTIONS ON ISSUE

NACO

Expiry: 30th November 2016

Price Exercisable: \$1.00

Options Remaining on Issue: 21,500,000

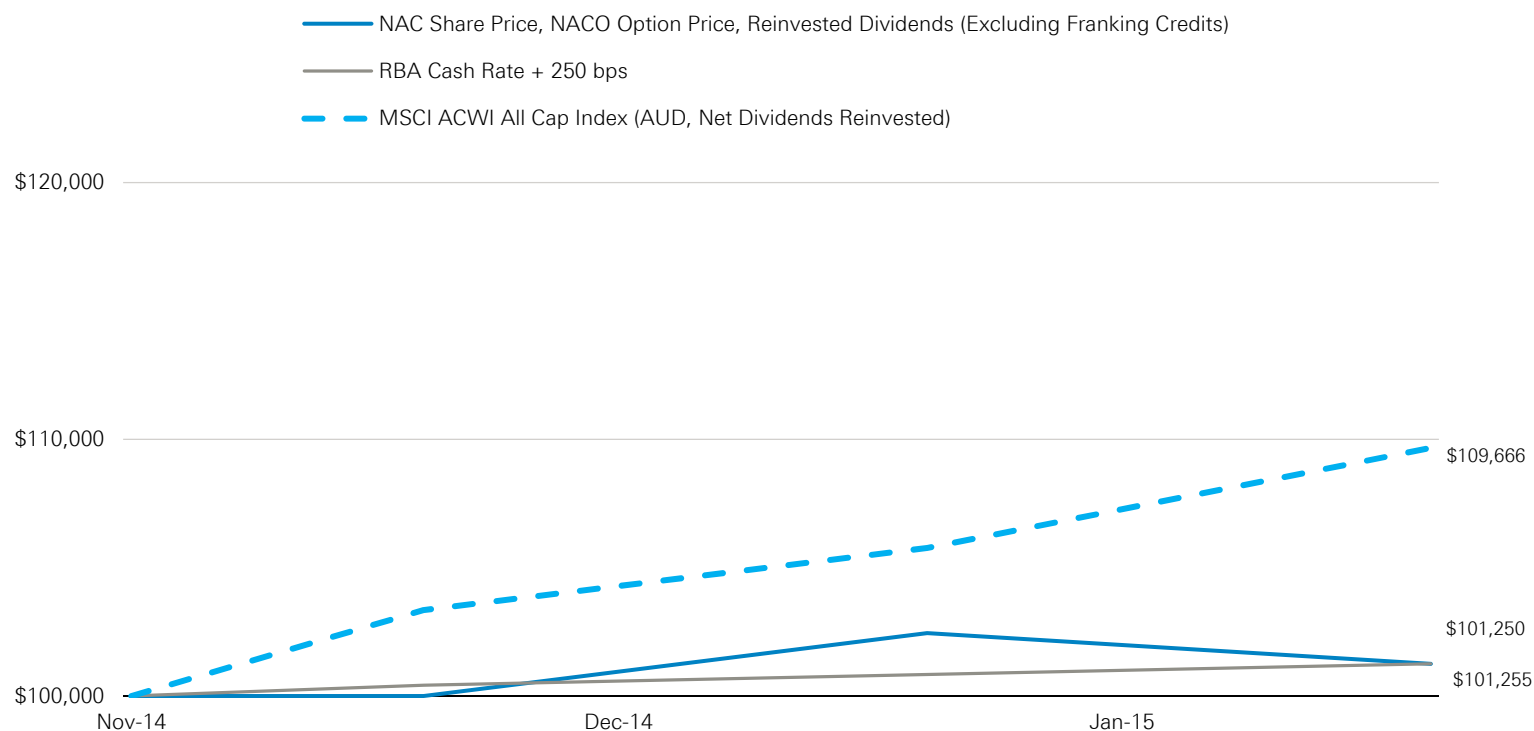
CURRENT DIVIDEND YIELD

Targeted yield of 4.00% franked
to the maximum extent possible.

TOTAL SHAREHOLDER RETURN ANALYSIS SINCE IPO

AS AT 31ST JANUARY 2015

NAOS



The MSCI ACWI All Cap Index captures large, mid, small and micro cap representation across 23 Developed Markets (DM) countries and large, mid, small cap representation across 23 Emerging Markets (EM) countries. With 14,330 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

PERFORMANCE SUMMARY

PRE FEES & FRANKING, NET OF OPERATING EXPENSES
AS AT 31ST JANUARY 2015

	Since Inception (Nominal)
NAC Investment Portfolio Performance	+1.62%
Benchmark (RBA Cash Rate +250bps)	+1.08%
MSCI ACWI AC Index (AUD, Net Dividends Reinvested)	+9.67%
Performance vs Benchmark	+0.54%

Investment Portfolio Performance is **pre fees and franking and post all operating expenses**.

Performance has **not been grossed up for franking credits received by shareholders**.

Inception is 12th November 2014

The MSCI ACWI All Cap Index captures large, mid, small and micro cap representation across 23 Developed Markets (DM) countries and large, mid, small cap representation across 23 Emerging Markets (EM) countries. With 14,330 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

**PERFORMANCE ATTRIBUTION: TOP CONTRIBUTORS TO
PORTFOLIO RETURNS BY STOCK**

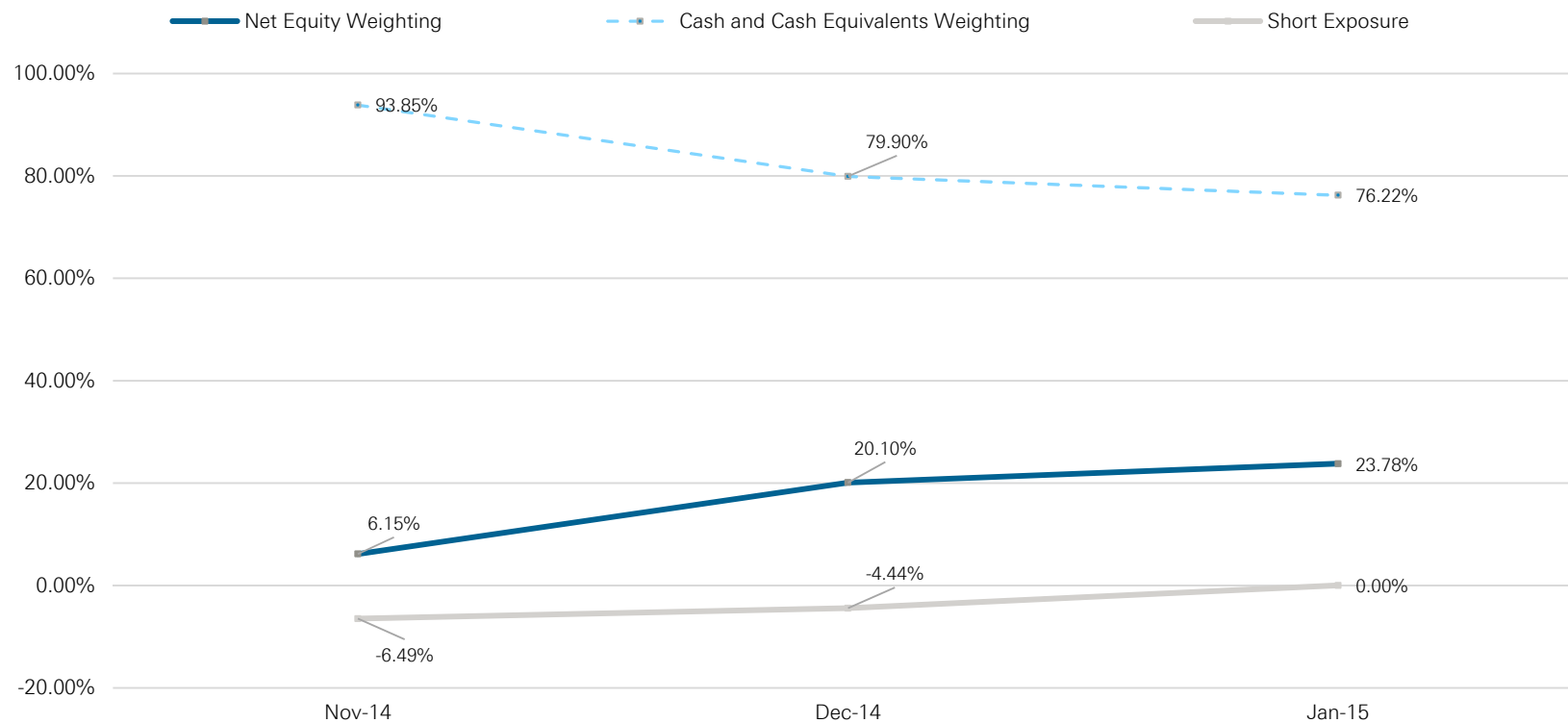
12TH NOVEMBER 2014 TO 31ST JANUARY 2015

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Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
USD ETF	+2.44%	APN News & Media Limited	+0.24%
National Australia Bank	+0.75%	Amalgamated Holdings Limited	+0.14%
Village Roadshow Limited	+0.58%	Reece Australia Limited	+0.12%
Wesfarmers Limited	+0.24%	Nextdc Limited	+0.12%

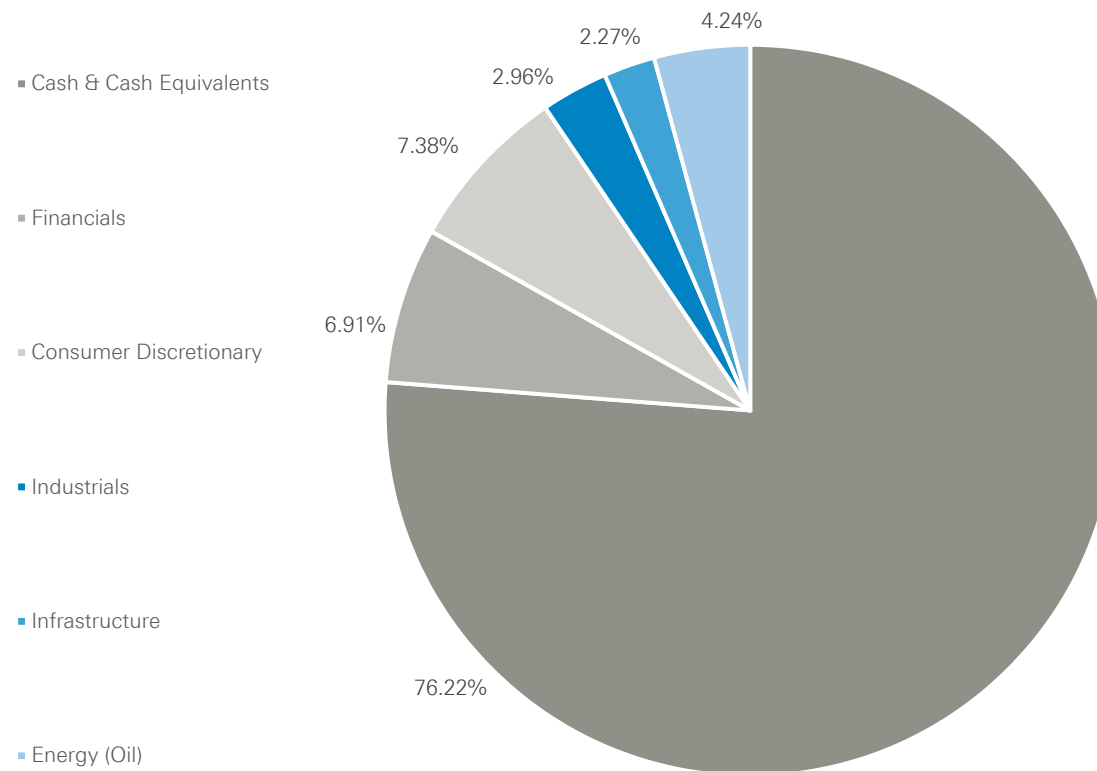
PORTFOLIO STRUCTURE **HISTORICAL NET EQUITY AND CASH WEIGHTINGS** AS AT 31ST JANUARY 2015

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PORTFOLIO STRUCTURE
ALLOCATION BY INDUSTRY/SECTOR
AS AT 31ST JANUARY 2015

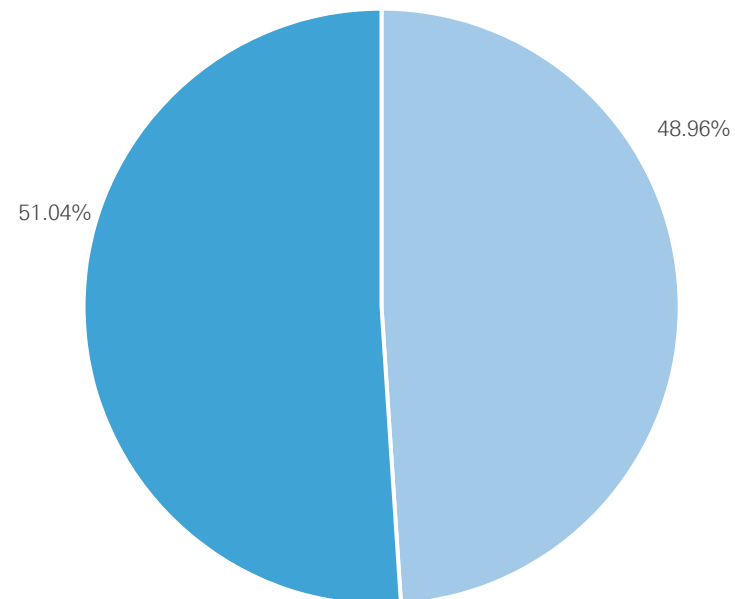
NAOS



PORTFOLIO STRUCTURE
ALLOCATION BY CURRENCY
AS AT 31ST JANUARY 2015

NAOS

■ AUD ■ USD



COMPANY MEETINGS

The NAOS investment philosophy is based around the belief that for a company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. NAOS' Investment Team has direct contact with many listed and unlisted companies across a wide range of industries. The table below provides an insight into the types of companies visited.

• Altium Limited (ALU)	• Sandisk Group (SNDK)	• Alibaba Group Holdings (BABA)
• Donaco International Limited (DNA)	• Karoon Gas Australia Limited (KAR)	• Yahoo Inc (YHOO)
• Resmed	• Virtus Health Limited (VRT)	• Life Healthcare Group (LHC)

2. Market Outlook/Commentary

January Australian Equity Market Review

- The New Year started very positively for the Australian equity market with the S&P/ASX-200 rising +3.03% for the month of January. The Small Ordinaries Accumulation Index lagged its larger counterparts finishing the month with a positive return of just +0.91%.

Impact of Global Themes

- It was an extremely eventful month with the market attention focussed on the plunging oil price and the European Central Banks (ECB) launch of their long awaited stimulus program.
- The price of oil fell more than -17% in the month of January which resulted in the energy sector in the ASX falling by -6.5%.
- Mario Draghi led the ECB into an unprecedented era for Europe with a 1.1 trillion Euro quantitative easing program to help stave off deflation and promote economic growth. As per the previous year, this has further stoked the demand for yield within the ASX and this was no more apparent in two household names being Telstra which touched a 13 year high and Commonwealth Bank which briefly touching the \$90 level.
- In the US, consumer spending and sentiment levels remained elevated but surprisingly economic growth for the fourth quarter was softer than expected as consumers in the US, much like their counterparts within Australia, pay down debt from surplus cash flow due to lower petrol prices as opposed to increasing their consumption levels.

Domestic Corporate Activity

- Market consolidation picked up the pace with a number of notable bids taking place in January, including Chandler MacLeod and the proposed merger between Programme Maintenance and Skilled Engineering.
- The private equity backed bid for engineering firm Bradken failed due to the inability to secure financing.

Reporting Season

- February brings with it reporting season. The key questions we are asking companies during this reporting period are closely tied to the sentiment and trends playing out in global macro environment. Our primary focus is on understanding what is behind the numbers and gaining insight as to how companies are placed for future prosperity and delivering increases on value to shareholders.

Earnings and Yield

- With regard to earnings growth, we are keen to establish how companies will provide this to investors – through cost cutting or through revenue growth and how /will companies offer guidance for the second half of the year due to lack of clarity in forward order books and trends.
- The quest for yield by investors still remains strong, evidenced by the recent performance of key mining and resources stocks (BHP/RIO/FMG). Since the 15th January the AUD iron ore price has fallen 4.2% but an index of these stocks has risen by almost 20%.
- Expansion and visibility in forward looking Price to Earnings has traditionally been the driver of stock price increases, with the last hike of this magnitude being in October 08 when we were in the depth of the GFC.

Chart 5: 50 Leaders 12m Fwd PE

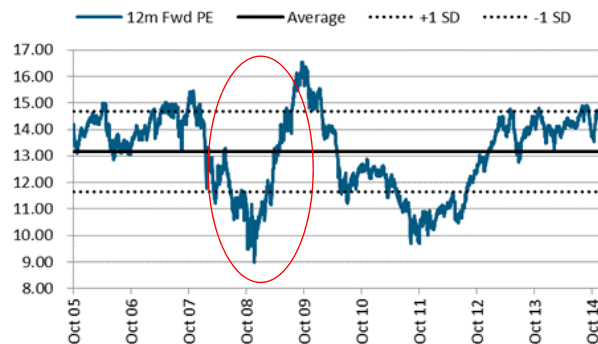
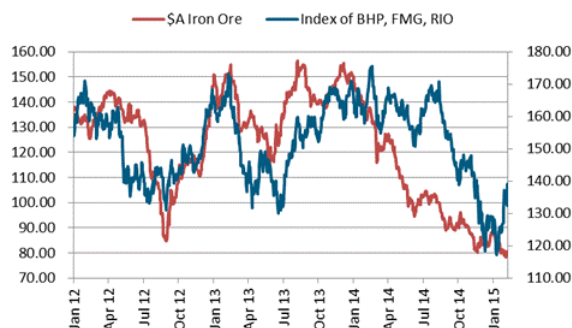


Chart 6: Fifty Leaders 12m Fwd EPS



Source: Shaws Stockbroking

Heading for a Housing Bubble?

- Now circa \$5.3 trillion is tied up in Australian residential real estate. Those set to gain from rising property prices, outside of REITs are banks and insurers.
- \$18 billion in lending last month equates to 0.3% of the value of total housing stock. A return to 'peak' levels of 0.5% would see finance at circa \$27 billion per month, or an increase on existing levels of 47%.

Chart 8: Finance for Housing and Alterations/Additions

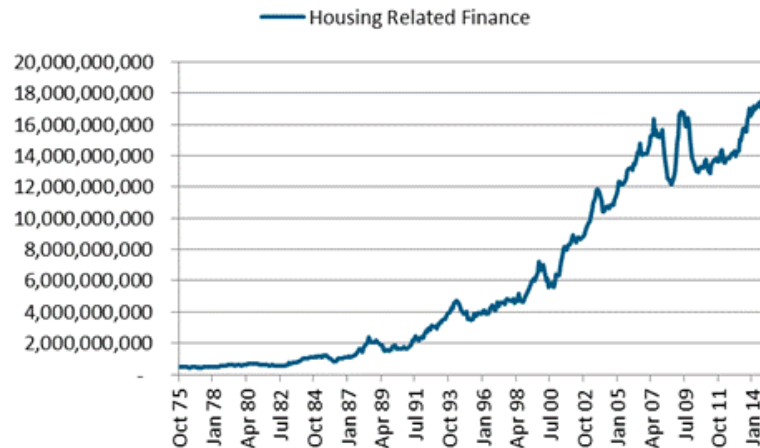
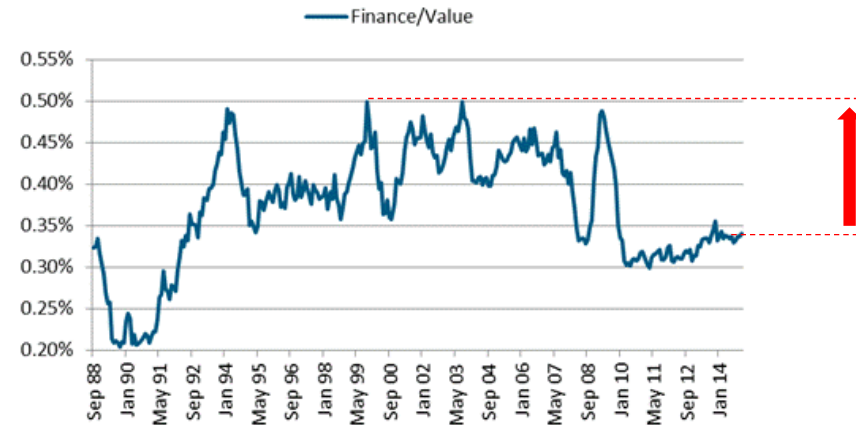


Chart 9: Value of Monthly Finance divided by value of residential real estate



Source: Shaws Stockbroking

KEEPING UP TO DATE – SHAREHOLDER COMMUNICATION

WEBSITE

- Shareholders can stay up to date with NAOS news and views, subscription lists and latest share prices via the company website: www.naos.com.au

RESEARCH

- Research by several broking houses is now available. Please refer to the Research & Platforms section of our website for further information.

PLATFORM (WRAP) AVAILABILITY

- NAC is now available to purchase/trade via the following platforms:
 - Macquarie Wrap
 - BT Wrap & Super Wrap
 - MLC Navigator Wrap
 - Netwealth Wrap & Super Wrap
 - HUB-24
 - Australian Executor Trustees (AET) SMSF Platform (IOOF)

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